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Chairman: Mr. Effah-Apenteng ..... (Ghana)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.10 a.m.

Organization of work (A/C.5/56/L.61/Rev.1)

1. **The Chairman** drew attention to the note by the Secretariat on the status of preparedness of documentation for the second part of the resumed session of the Fifth Committee of the fifty-sixth session of the General Assembly (A/C.5/56/L.61/Rev.1). The Secretariat had made considerable efforts to ensure that most of the reports were issued on time. However, as detailed in the informal paper, entitled "Documents proposed to be postponed to the fifty-seventh session", some documents had been submitted late for reasons beyond the Secretariat's control and others were not yet ready for submission. The Bureau had been informed by the Chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that the Advisory Committee would not be in a position to consider those documents in depth or to provide a comprehensive report on time for consideration by the Fifth Committee. He therefore wished to propose that consideration of the reports relating to contingent-owned equipment, rates of reimbursement to Governments of troop-contributing States and the question of death and disability be deferred to the Assembly's fifty-seventh session.

2. The Bureau had also been informed that the report of the Secretary-General on a monitoring capacity in the Office of Human Resources Management required a substantial amount of preparatory work, including data gathering and analysis. Although considerable progress had been made, the report had yet to be finalized and it was therefore proposed that its consideration be also deferred to the fifty-seventh session.

3. Consideration of all available reports was envisaged in the proposed programme of work. It must be recalled, however, that the Committee would not have the luxury of extending its meetings beyond the third week or of holding evening or weekend meetings.

4. **Mr. Pulido** (Venezuela), speaking on behalf of the Group of 77 and China, requested that consideration of the programme of work be deferred to the next meeting, when he would be in a position to make a statement.

5. **Mr. Nakkari** (Syrian Arab Republic) said that in order to avoid the problems that had been encountered the previous year, a margin of flexibility should be preserved with respect to the number of meetings. The Planning and Meetings Servicing Section should bear in mind the possible need to extend the current part of the Assembly's resumed session into a fourth week. A further informal meeting on the financing of the United Nations Disengagement Observer Force (UNDOF) might also be required.

6. **The Chairman** said that he took it that the Committee wished to defer further consideration of the proposed programme of work to the following meeting.

7. *It was so decided.*

Agenda item 17: Appointments to fill vacancies in subsidiary organs and other appointments (*continued*)

(b) Appointment of members of the Committee on Contributions (*continued*) (A/56/102/Add.1 and A/C.5/56/6/Add.1)

8. **The Chairman** drew attention to the note by the Secretary-General regarding notification of the resignation of Mr. Kazuo Watanabe of Japan from membership of the Committee on Contributions (A/56/102/Add.1). In another note by the Secretary-General (A/C.5/56/6/Add.1), the General Assembly was informed that the Government of Japan had nominated Mr. Kenshiro Akimoto to fill the vacant post. In a note verbale dated 26 April 2002 from the Chargé d'affaires of Brunei Darussalam to the United Nations, he had been informed that the nomination was endorsed by the Group of Asian States.

9. He took it that the Committee wished to appoint Mr. Kenshiro Akimoto as a member of the Committee on Contributions for the period beginning on the date of appointment and expiring on 31 December 2003.

10. *It was so decided.*

Agenda item 120: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/56/5 (Vol. II), A/56/66/Add.2 and A/56/887)

11. **Mr. Bhana** (Director of External Audit of South Africa), speaking on behalf of the Chairman of the Board of Auditors, introduced the report of the Board on United Nations peacekeeping operations for the 12-month period ending 30 June 2001 (A/56/5 (Vol. II)). The report addressed the three special requests made by the Advisory Committee and by the General Assembly, and included an annex commenting on the

implementation of the recommendations contained in the Board's previous report (A/55/5 (Vol. II)).

12. In response to the Advisory Committee's request that the Board should undertake a comprehensive assessment of the arrangements for contingent-owned equipment, the report focused on the implementation of the inspection and verification procedures required in terms of the reformed contingent-owned-equipment process. The Board had found that such verification reports were not always prepared in a timely manner and had recommended that the Department of Peacekeeping Operations should undertake a detailed evaluation of resource requirements at missions in order to rectify the deficiencies noted by the Board.

13. The Advisory Committee had also requested that the Board should review the adequacy of the resident audit function. The Board had measured that function against international internal auditing standards. In general, the Board was of the opinion that the resident audit function was an important oversight mechanism, but that improvements were needed in such areas as training, risk assessment, quality control and reporting. As requested by the Advisory Committee, the Board would continue to pay special attention to the resident audit function and, in particular, to ascertain the extent of implementation of its recommendations.

14. For its part, the General Assembly had requested the Board to monitor the process of objective-setting by missions and the measurements of their use. While progress by the Administration was evident, the process of objective-setting was still in its infancy and the Administration should closely monitor its implementation in order to provide guidance and support in a timely manner.

15. As in the previous audit report, the Board had placed emphasis on the same two issues without qualifying its audit opinion on the fair presentation of the financial statements. Firstly, the Board had been unable to obtain adequate assurance as to the reasonableness of the value of non-expendable equipment worth approximately $696 million held at peacekeeping missions, as disclosed in note 9 to the financial statements, mainly as a result of unreconciled differences in respect of the opening balances and weaknesses in the custody and control of equipment. The second issue was related to verified claims amounting to approximately $8 million, which had been submitted under the old system for reimbursement of contingent-owned equipment not accrued for in the accounts. The Board had noted an improvement of nearly $32 million, representing some 80 per cent, over the prior period. In the Board's opinion, however, the liabilities and related expenses in the Organization's accounts had been understated by some $8 million. That technical issue had been debated at length in the past and, while the Board recognized the procedural complexities of accruing for such claims, it was of the opinion that the verified claims did represent valid expenditure that should have been accrued.

16. As for the other main audit findings, long-outstanding amounts included in accounts payable had remained unpaid at year's end; policies and procedures regarding the utilization of chartered aircraft by non-mission personnel were not always adhered to; and not all sections of two missions had submitted procurement plans in a timely manner, resulting in the inability of the missions to develop an overall procurement plan. Moreover, the United Nations Mission in Bosnia and Herzegovina (UNMIBH), the United Nations Mission in Ethiopia and Eritrea (UNMEE) and the United Nations Peacekeeping Force in Cyprus (UNFICYP) had experienced difficulties in resolving issues related to their tax status; the pre-deployment selection of civilian police remained an area of concern, since a significant proportion of officers failed mandatory tests upon arrival at a mission; and the database of cases maintained by the Liquidation Unit differed from the database maintained by the Headquarters Property Survey Board and discrepancies had not been followed up in a timely manner.

17. The Board had recommended that the Administration should enforce compliance with United Nations regulations and rules, improve controls ensuring complete and accurate custody and recording of non-expendable equipment, evaluate resource requirements and benchmark resources to discharge responsibilities under the contingent-owned equipment procedures, improve procurement planning and improve procedures to liquidate missions in a timely manner. It had also noted the comments in the report of the Advisory Committee (A/56/887) regarding the monitoring and effective implementation of the Board's recommendations. The Board welcomed the Advisory Committee's proposal to discuss the merits of more frequent consultations with it on the matter.

18. **Ms. Ferrena-Mahmud** (Chief of the Oversight Support Unit of the Department of Management)

introduced the report of the Secretary-General on implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the financial period ending 30 June 2001 (A/56/66/Add.2). As was evident from the high rate of implementation of the Board's recommendations, the Administration continued to attach great importance to the timely and comprehensive implementation of all recommendations. For the most part, the report addressed only those recommendations that required further comments or clarifications. In the few cases in which the Board's recommendations remained unimplemented, the Administration was either taking appropriate steps to ensure their early implementation or was unable to proceed with implementation owing to severe budgetary constraints, among other factors. The Administration would continue to monitor and review the implementation of all of the Board's recommendations.

19. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) introduced the report of the Advisory Committee on the administrative and budgetary aspects of the financing of United Nations peacekeeping operations (A/56/887). Additional comments had been made in the Advisory Committee's separate reports on peacekeeping operations (A/56/887/Add.1-10). The Advisory Committee had welcomed the comments and recommendations of the Board of Auditors.

20. Two aspects of the Board's report warranted particular attention, namely, the two special studies on the resident audit service and the management of contingent-owned equipment, which had been requested by the Advisory Committee. The Advisory Committee welcomed the measures being taken by various missions to improve implementation of the new contingent-owned equipment arrangements, including the establishment of dedicated units for that purpose. Headquarters could help encourage the sharing of best practices in that regard.

21. The Secretariat, the Office of Internal Oversight Services (OIOS) and individual missions must take action to realize the full potential of the resident audit service. The Advisory Committee had indicated some of the steps to be taken and had drawn attention to the plan to expand the service of investigators. It had also requested the Secretary-General to prepare a report on the subject.

22. The Board had also commented on the question of objective-setting, as the General Assembly had requested. It was the first time that missions had tried to introduce results-based budgeting techniques in the mission budget process. The Advisory Committee had submitted extensive comments on the subject in its report (A/56/887) and had cautioned against what appeared to be an overemphasis on theory and on unrealistic assumptions as to what could be accomplished. The Advisory Committee stressed the need for the Secretariat and missions to be pragmatic and to tailor results-based budgeting techniques to the particular circumstances of each mission, including its mandate, programmes, activities and services. In particular, objectives, definitions of indicators and expected accomplishments should not be forced where it was not practical to define and implement those elements in the manner indicated by the Advisory Committee.

23. In paragraph 11 of the report, the Advisory Committee recommended a change in the manner in which reports on follow-up action to implement the recommendations of the Board of Auditors were presented and was willing to hold further consultations on the issue of effective implementation of the Board's recommendations.

Agenda item 134: Financing of the United Nations peacekeeping forces in the Middle East (*continued*)

(a) United Nations Disengagement Observer Force (A/56/813, A/56/832 and Add.1 and A/56/887/Add.8)

(b) United Nations Interim Force in Lebanon (*continued*) (A/56/822, A/56/893 and A/56/887/Add.7)

Agenda item 135: Financing of the United Nations Interim Administration in Kosovo (A/56/763, A/56/802 and A/56/887/Add.6)

Agenda item 137: Financing of the United Nations Mission in Ethiopia and Eritrea (*continued*) (A/56/840, A/56/862 and A/56/887/Add.9)

Agenda item 139: Financing of the activities arising from Security Council resolution 687 (1991)

(a) United Nations Iraq-Kuwait Observation Mission (A/56/794 and Corr.1, A/56/820 and A/56/887/Add.5)

Agenda item 141: Financing of the United Nations Mission in Sierra Leone (*continued*) (A/56/833, A/56/855 and A/56/887/Add.3)

Agenda item 144: Financing of the United Nations Preventive Deployment Force (A/56/842 and A/56/887)

Agenda item 146: Financing of the United Nations Protection Force, the United Nations Confidence Restoration Operation in Croatia, the United Nations Preventive Deployment Force and the United Nations Peace Forces headquarters (A/56/852 and A/56/887)

Agenda item 149: Financing of the United Nations Peacekeeping Force in Cyprus (A/56/782, A/56/838 and A/56/887/Add.4)

Agenda item 150: Financing of the United Nations Observer Mission in Georgia (A/56/721 and Corr.1, A/56/815 and A/56/887/Add.1)

Agenda item 151: Financing of the United Nations Mission in Haiti (A/56/851 and A/56/887)

Agenda item 154: Financing of the United Nations Mission in Bosnia and Herzegovina (A/56/698, A/56/773 and A/56/887/Add.2)

Agenda item 155: Financing of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium and the Civilian Police Support Group (A/56/844 and A/56/887)

Agenda item 156: Financing of the United Nations Support Mission in Haiti, the United Nations Transition Mission in Haiti and the United Nations Civilian Police Mission in Haiti (A/56/841 and A/56/887)

Agenda item 133: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

24. **Mr. Halbwachs** (Controller), introducing in a single statement the reports of the Secretary-General on the financing of peacekeeping missions, said that the unpredictable nature of peacekeeping operations sometimes made the orderly process envisaged in General Assembly resolution 49/233 difficult to follow. The Committee had before it the following 41 reports of the Secretary-General: performance reports for 12 ongoing peacekeeping missions for the period from 1 July 2000 to 30 June 2001; final performance reports for five closed peacekeeping missions; budget estimates for 11 ongoing peacekeeping missions and one new mission to be established for the period from 1 July 2002 to 30 June 2003; a report on the working conditions of the local staff of UNDOF; a report updating the financial situation of the United Nations Peace Forces (UNPF); a report on the disposition of assets for the United Nations Angola Verification Mission/United Nations Observer Mission in Angola (UNAVEM/MONUA); a report on the disposition of assets for the United Nations Transitional Administration in East Timor (UNTAET); the performance report and budget for the support account; the performance report and the budget for the United Nations Logistics Base at Brindisi; a report on the strategic deployment stocks; six reports dealing with, inter alia, death and disability, implementation of the recommendations of the Committee of 34, and instances where the United Nations was entitled to restitution as a result of non-compliance with status-of-forces or other agreements.

25. The performance reports for the period from July 2000 to June 2001 included $2.63 billion approved by the General Assembly in respect of 12 ongoing missions and expenditures of $2.37 billion, leaving an unspent balance of $250 million. That represented an implementation rate of 90 per cent, about the same as for the previous period. Despite operational fluidity in the large peacekeeping missions in Africa, Kosovo and East Timor, performance had been quite satisfactory. The Advisory Committee's recommendation on disclosure of interest, miscellaneous and other income had been implemented. The reports also included information on training, staff on loan to other missions, expenditure on staff security and details of quick impact projects.

26. The budget estimates for the 12 ongoing missions for the period from July 2002 to June 2003 amounted to $2.61 billion, compared with $2.67 billion for the current year. When the requirements for the support account, the United Nations Logistics Base at Brindisi and the one-time costs for the strategic deployment stocks were added, the total amount proposed amounted to $2.91 billion. The Committee would review the budgets for all 12 ongoing operations during the current part of the resumed sessions.

27. Each report contained a section on objective-setting, which included expected accomplishments,

indicative achievements and external factors. The Administration would welcome the Committee's guidance on how the process might be further refined.

28. With regard to the financing of the United Nations peacekeeping forces in the Middle East, the financial performance report of UNDOF (A/56/813) showed an appropriation of $36.9 million and expenditure of $36.4 million gross, resulting in an unencumbered balance of $575,100 gross. The rate of implementation was more than 98 per cent. Savings had been realized mainly as a result of an actual troop strength that was slightly lower than authorized and lower operating costs. Those savings were offset by additional requirements, including the cost of replacing old pre-fabricated buildings and the increase in local staff salaries.

29. The proposed budget for UNDOF for the period from 1 July 2002 to 30 June 2003 (A/56/832) was $39 million, the 12.9 per cent increase being due to: continued replacement and upgrading of accommodations, as required in the UNDOF three-year master plan; acquisition and replacement of communication and observation equipment, which was an integral part of the ongoing modernization programme; and the proposed establishment of three international staff posts.

30. The budget for UNDOF (A/56/832/Add.1) outlines the measures that had already been taken to improve the working conditions of local staff. In the light of the General Assembly's request that such measures should continue, and of the special conditions at Camp Faouar, the intention was to elaborate a separate salary scale for Camp Faouar that would take into account the absence of a local labour market in close proximity to the Camp, and which would help UNDOF to attract and retain staff recruited from Damascus. The scale would recognize the increased amount of time spent on work-related activities, thus reflecting a longer workweek than the one on which the Damascus salary scale was based. The financial implications amounted to some $83,000 per year. The report concluded that the steady improvement in working conditions at Camp Faouar since 1995, together with the separate salary scale, would constitute a full response to the General Assembly's request.

31. The total amount appropriated for the United Nations Interim Force in Lebanon (UNIFIL) was $207 million. Expenditures totalled $183.8, resulting in an unencumbered balance of $23.3 million. Three budgets in one 12-month financial year had led to practical implementation difficulties and to rapid and successive operational changes and reconfiguration of the Force had resulted in a budget implementation rate of 89 per cent.

32. The proposed budget for UNIFIL for the period from 1 July 2002 to 30 June 2003 (A/56/893) amounted to $112.4 million, representing a 17.9 per cent decrease ($24.4 million) compared with the previous period. The proposed budget had been prepared in accordance with the latest reconfiguration plan for the Force, which involved reducing troop strength to approximately 2,000 by January 2003.

33. With regard to the financial performance of the United Nations Interim Administration Mission in Kosovo (UNMIK) (A/56/763), the amount appropriated had been $450 million and expenditures had totalled $383 million. The unencumbered balance of $66.5 million related mainly to reduced civilian personnel costs.

34. The proposed budget for UNMIK for the 12-month period from 1 July 2002 to 30 June 2003 (A/56/802) amounted to $391.1 million gross, a reduction of 2.2 per cent from the previous period. That reduction reflected a 6.2 decrease in civilian costs but was partially offset by a 5.2 per cent increase in military personnel costs and a 20 per cent increase in operational costs, relating essentially to the restoration of police holding cells and of UNMIK headquarters in Pristina, the conversion of a hotel into office space and the repair of facilities at various locations.

35. The financial performance report of UNMEE (A/56/840) showed a total appropriated amount of $189.2 million gross and expenditures of $164.1 million gross, resulting in an unencumbered balance of $25.1 million gross. The unencumbered balance resulted mainly from lower actual costs for military and civilian personnel owing to delayed deployment, as well as reduced operational and other programme requirements.

36. The proposed budget for the 12-month period from 1 July 2002 to 30 June 2003 for the maintenance of UNMEE (A/56/862) amounted to $220.8 million gross. The 11.3 per cent increase ($22.4 million) reflected an increase in military and civilian personnel costs and in operational costs.

37. Turning to the financial performance report of the United Nations Iraq-Kuwait Observation Mission (UNIKOM) for the period from 1 July 2000 to 30 June

2001 (A/56/794), he said that expenditures against a budget of $52.7 million gross had totalled $50 million, resulting in an unencumbered balance of $2.6 million, or 5 per cent. Two thirds of the funding for the Mission was provided through voluntary contributions from the Government of Kuwait. The unencumbered balance was attributable to a higher than estimated vacancy rate for international staff, lower costs of rotation travel for military personnel and lower requirements for vehicle spare parts, repairs and maintenance, naval operations, commercial communications and miscellaneous supplies and services.

38. Regarding the budget for UNIKOM for the period from 1 July 2002 to 30 June 2003 (A/56/820), estimated requirements totalled $50.6 million, which represented a reduction of $534,800, or 1 per cent. The proposed reduction reflected a 12 per cent decrease in military personnel costs and a 5.2 per cent decrease in civilian personnel costs, partially offset by increases of 25.6 per cent in operational costs, 52.7 per cent in other programmes and 4.6 per cent in staff assessment. The increase in operational requirements related, inter alia, to the higher provision for utilities and renovation of premises and the increased costs for air operations in connection with the current letter-of-assist arrangements. The proposed budget provided for 195 military observers, 904 contingent personnel, 67 international staff and 168 local staff, reflecting an increase of 4 international posts, offset by a reduction of 6 local posts, for a net reduction of 2 posts. The proposed changes in staffing were related to the restructuring of the Administrative Division.

39. As stated in the financial performance report of the United Nations Mission in Sierra Leone (UNAMSIL) for the period from 1 July 2000 to 30 June 2001 (A/56/833), the total resources provided by the General Assembly for the operation and maintenance of the Mission had amounted to $577.7 million. Expenditures had totalled $520.7 million, leaving an unencumbered balance of $56.9 million, or 9.9 per cent of the approved amount, which was primarily attributable to savings of $29.8 million and $3.9 million accrued under military personnel and civilian personnel, respectively, as a result of delayed deployment, with concomitant savings accruing under operational requirements. The budget for UNAMSIL for the period from 1 July 2002 to 30 June 2003 (A/56/855) provided for a reduction of $22.5 million, or 3.3 per cent, to $669.5 million. That amount reflected the resource requirements for the maintenance of the Mission at its currently authorized military strength of 17,500 personnel. However, following the Sierra Leone elections, an assessment of the prevailing security and political situation would be carried out during the second half of 2002, with a view to recommending possible adjustments in the Mission's troop strength. No major troop-level adjustments were expected to be made until early 2003.

40. The final performance report of the United Nations Preventive Deployment Force (UNPREDEP) (A/56/842) contained information on reimbursement to troop-contributing Governments, expenditures, cash position and unpaid assessed contributions. The General Assembly was requested to apportion the amount of $172,000 for the period from 1 July to 15 October 1999; to offset that apportionment against the unencumbered balance of $7 million; and to decide that Member States should waive their respective shares in the cash balance of $18.2 million to be applied to the resources required for the financing of the strategic deployment stocks.

41. The financial performance report of the United Nations Protection Force (UNPROFOR), the United Nations Confidence Restoration Operation in Croatia (UNCRO), UNPREDEP and the United Nations Peace Forces headquarters (A/56/852) contained updated information on the financing of those missions. In paragraph 10, the General Assembly was requested to decide that Member States should waive their respective shares in the amount of $125.6 million from the balance of appropriations of $196.5 million to be applied to the resources required for the financing of the strategic deployment stocks; to credit the remaining cash balance of $8.3 million to Member States; and to continue to suspend temporarily the provisions of financial regulations 4.3, 4.4 and 4.52 (d) in respect of the remaining surplus of $62.5 million in the light of the cash shortage of the combined forces.

42. The financial performance report of the United Nations Peacekeeping Force In Cyprus (UNFICYP) for the period from 1 July 2000 to 30 June 2001 (A/56/782) showed expenditures of $42.4 million against an appropriation of $43.4 million, leaving an unencumbered balance of $1 million. Voluntary contributions equal to one third of the annual cost of UNFICYP had been made on a continuing basis by the Government of Cyprus, while the Government of Greece had been making annual contributions of $6.5 million. The unencumbered balance had resulted

mainly from lower ration costs for troops, lower salary costs owing to a reduction in the number of local UNFICYP staff posts and lower commercial communications charges. In addition, initiatives had been taken to ensure that the Mission was managed with a maximum of economy and efficiency, including the outsourcing of a number of services.

43. The budget for UNFICYP for the period from 1 July 2002 to 30 June 2003 (A/56/838) provided for an increase of $2.6 million, or 6.4 per cent, owing to increases of 3 per cent in military personnel costs, 25.4 per cent in operational costs and 54.9 per cent in other programmes, partially offset by a 3.7 per cent decrease in civilian personnel costs. The proposed staffing table comprised 35 civilian police, 44 international staff and 105 local staff, that represented a net decrease of 42 local posts as a result of the outsourcing of catering services.

44. The financial performance report of the United Nations Observer Mission in Georgia (UNOMIG), (A/56/721) showed expenditures of $26 million for the period 1 July 2000 to 30 June 2001, against a budget of $30 million, resulting in an unencumbered balance of $4 million, or 13.4 per cent of the approved amount. An unutilized balance of $1.2 million had accrued under military personnel, owing to deployment of military observers at a lower strength than budgeted. Savings of $2 million had been realized under civilian personnel, due primarily to the engagement of a higher percentage of the staff as mission appointees, 65 per cent compared with the budgeted assumption of 32 per cent; and an unspent balance of $883,800 remained under operational requirements, largely as a result of the acquisition of vehicles at a lower cost than budgeted.

45. The budget for UNOMIG for the period from 1 July 2002 to 30 June 2003 (A/56/815) provided for an increase of $8.5 million, or 31.6 per cent, reflecting an increase in civilian personnel costs, as a result of the creation of 18 additional posts, and increased requirements for air operations in connection with the proposed addition of a light tactical utility helicopter and a change in the fixed-wing aircraft to a faster jet aircraft with same-day turnaround capability between Tbilisi and Istanbul.

46. In the final performance report of the United Nations Mission in Haiti (UNMIH) (A/56/851), the General Assembly was requested to credit the amount of $25.3 million to Member States from the unencumbered balance of $39.6 million and to suspend temporarily the provisions of financial regulations 4.3, 4.4 and 5.2 (d) in respect of the remaining surplus of $14.3 million in the light of the cash shortage of the Mission.

47. The $158.7 million appropriation for UNMIBH had also provided for the maintenance of the United Nations Mission of Observers in Prevlaka (UNMOP) and the United Nations liaison offices in Belgrade, Zagreb and Sarajevo. As stated in the financial performance report (A/56/698), expenditures against that appropriation had totalled $146.2 million, leaving an unencumbered balance of $12.5 million, or 8 per cent of the approved amount. The unencumbered balance was primarily attributable to savings under civilian personnel, owing to the recruitment of international staff at lower levels than budgeted, and under operational requirements.

48. Concerning the budget for UNMIBH for the period from 1 July 2002 to 30 June 2003 (A/56/773), the Mission was expected to complete its core mandate by 31 December 2002. The estimated requirements of $78.5 million included $56.9 million for the maintenance of the Mission from 1 July to 31 December 2002 and $21.7 million for its liquidation from 1 January to 30 June 2003. The budget reflected an increase of $61.5 million, or 43.8 per cent.

49. The final performance report of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) and the Civilian Police Support Group (A/56/844), the General Assembly was requested to decide that Member States should waive their respective shares in the cash balance of $35.8 million to be applied to the resources required for the financing of the strategic deployment stocks.

50. In the final performance report of the United Nations Support Mission in Haiti (UNSMIH), the United Nations Mission in Haiti (UNTMIH) and the United Nations Civilian Police Mission in Haiti (MIPONUH) (A/56/841), the Assembly was requested to suspend temporarily the provisions of financial regulations 4.3, 4.4 and 5.2 (d) in respect of the remaining surplus of $4 million in the light of the cash shortage in the special account of the missions.

51. Also before the Committee was the report of the Secretary-General on the concept of strategic deployment stocks and its implementation (A/56/870). Establishing a rapid deployment capability had been a cornerstone recommendation of the Panel on United

Nations Peace Operations (A/55/305-S/2000/809). In response, the Secretary-General had proposed a strategic reserve for peacekeeping operations to rapidly support opportunities for peace. The budgetary requirements for the implementation of the strategic deployment stocks concept included non-recurrent costs totalling $179.7 million. The cost of establishing the stocks would be charged to the budget of the United Nations Logistics Base (UNLB) at Brindisi on a one-time basis. It would be partially offset by the fund balances available in several closed missions, for which final performance reports were being considered by the Committee. Ongoing costs, such as those relating to staff and maintenance, estimated at $6 million per year, would be met through the UNLB budget.

52. In order to ensure readiness for rapid deployment, financial authority was required for the Secretary-General to commit funds for procurement purposes before the adoption of a mission mandate. Accordingly, it was proposed that pre-mandate commitment authority up to the amount of $50 million should be granted to the Secretary-General when the establishment of a new peacekeeping mission was anticipated. The procedures that would govern the granting of that commitment authority was set out in paragraphs 30 to 37 of the report.

53. The financial performance report of UNLB (A/56/760) showed expenditures for the period from 1 July 2000 to 30 June 2001 of $7.8 million against a budget of $9.3 million, leaving an unencumbered balance of $1.6 million, or 17 per cent of the approved amount. The unencumbered balance was attributable to an average vacancy rate of 29 per cent for international staff and lower than budgeted requirements under premises/accommodations, transport operations, communications, other equipment, supplies and services, and air and surface freight. The budget for the Logistics Base for the period from 1 July 2002 to 30 June 2003 (A/56/871) amounted to $16.2 million, which represented an increase of $7.2 million, or 80.1 per cent. The proposed increase reflected the post and non-post resources required to undertake the increased level of activities arising from the revised concept of operations for the Logistics Base. The budget was presented along programmatic lines, as set out in annex III to document A/55/830.

54. **Mr. Sheehan** (Assistant Secretary-General for Mission Support) briefed the Committee on the concept of strategic deployment stocks and its implementation. The objective of a strategic reserve was to provide the Organization with the capability to deploy new peacekeeping missions within the rapid deployment time frames. In order to achieve the necessary level of materiel readiness, it was proposed that goods and commodities, including vehicles, communications and engineering equipment and accommodations, would be procured by the Secretariat and pre-positioned and stored at UNLB as strategic deployment stocks. Services, such as strategic lift, construction services and expendables, including fuel, rations and water, would be procured from vendors prior to the adoption of a Security Council resolution establishing a new mission, using pre-mandate commitment authority. In that connection, the Advisory Committee had concluded that the existing mechanisms for committing funds were sufficient and that a letter from the President of the Security Council to the Secretary-General expressing concurrence with the Secretary-General's intention to plan and prepare for a possible new mission would be sufficient to trigger the implementation of General Assembly resolution 49/233 A.

55. Concerning the timetable for rapid deployment, experience had shown that new peacekeeping operations could often be anticipated prior to the adoption of a full mandate. For planning purposes, "D-day" was designated as the estimated date of adoption of a new Security Council resolution. Planning for rapid deployment would normally commence about 60 days before D-day, or at D-60 days. His Office was currently planning and preparing for the establishment of strategic deployment stocks. If the concept was approved, procurement would commence in July 2002, the Logistics Base would begin receiving stocks in autumn 2002 and the materiel reserve would be in place by early to mid-2003.

56. With regard to the size of stocks, both the Special Committee on Peacekeeping Operations and the Advisory Committee had recommended that coverage should be maintained for one complex mission per year. According to the mission profile established, such a mission would comprise some 10,000 troops, 50 per cent of them self-sustaining; 375 international staff; 500 military observers; 500 civilian police; and 575 local staff. If a modular stockpile approach was adopted, the budgetary requirements for the necessary strategic deployment stocks would amount to $146.2 million.

57. Currently, UNLB functioned mainly as a logistics depot for existing and closing missions. Should the

General Assembly approve the concept of strategic deployment stocks, the role of the Logistics Base would be significantly expanded and additional posts would be required. The Advisory Committee had recommended the establishment of 24 additional posts, for a total of 130, and the upward reclassification of six existing posts. In his view, implementation of the concept could proceed with that staffing level, provided that there was the flexibility to hire contractual staff for surge periods.

58. He recognized the need to improve management capacity at the Logistics Base, in particular, by streamlining planning, policies, standard operating procedures and inventory management. Mindful of the quantity of expensive materiel that would be stored at UNLB, his Office would adopt a cautious approach to implementing the concept of strategic deployment stocks. The provision of logistic support to rapid deployment was achievable. If approved, the strategic reserve would be fully operational within about one year. However, rapid deployment itself would be achieved only if Member States were able to place troops and police on the ground in a timely fashion.

59. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related reports of the Advisory Committee (A/56/887 and Add.1-10 and A/56/902), said that they contained extensive comments and recommendations specific to each mission. Comments and recommendations of wider application could be found in the Advisory Committee's general report on the administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (A/56/887). Subject to certain specific comments, the Advisory Committee had accepted the recommendations of the Secretary-General on UNDOF, UNIFIL, UNIKOM, UNFICYP and UNMEE. With respect to UNAMSIL, it had accepted the proposals of the Secretary-General with a slight modification: it had accepted the amount of $669.5 million gross for the appropriation, but in view of the possible effects of the adjustment which might be implemented, it was recommending an assessment of $502,107,300 for the period from 1 July 2002 to 31 March 2003. The Advisory Committee was recommending an assessment of $330 million for UNMIK, where political developments had created the potential for downsizing.

60. Paragraphs 76-83 of its report (A/56/887) commented on the performance reports of closed missions. Annex VII to the report contained budgetary data on those missions. His own review of the performance reports showed that the Secretary-General was reporting balances totalling $279.3 million, of which $228.7 million related to missions in the former Yugoslavia. The Secretary-General had proposed that $179,656,000 should be available for strategic deployment stocks for the two missions concerned, but the Advisory Committee had recommended a figure of $146.2 million. Compared to the $16.2 million proposed by the Secretary-General for the Logistics Base at Brindisi, the Advisory Committee was recommending an amount of $14,293,200; it was also recommending 24 additional posts out of the 80 proposed by the Secretary-General. For UNOMIG, the Advisory Committee had recommended an amount of $31,705,800 compared with the Secretary-General's proposed amount of $35,535,300. The Advisory Committee's recommendation took into account its comments concerning air operations and additional staff.

61. **Mr. Chandra** (India) said that the Group of 77 would be making a detailed statement on the items under consideration. On the question of strategic deployment stocks, however, he would welcome information regarding the management of high-technology stocks whose value had plunged.

62. **Mr. Sheehan** (Assistant Secretary-General for Mission Support) said that considerable caution was exercised in the stockpiling and management of communications and information technology equipment. In order to keep stockpiles fresh, equipment and vehicles were rotated to missions in an efficient manner.

Agenda item 133: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

Agenda item 130: Report of the Secretary-General on the activities of the Office of Internal Oversight Services (*continued*)

Audit of the policies and procedures of the Department of Peacekeeping Operations for recruiting international civilian staff for field missions (A/56/202)

Audit of the establishment and management of mission subsistence allowance rates (A/56/648)

Update on the status of the recommendations of the Office of Internal Oversight Services on mission liquidation activities at the United Nations (A/56/896)

Update of oversight activities concerning the oil-for-food programme and the United Nations Compensation Commission (A/56/903)

63. **Mr. Nair** (Under-Secretary-General for Internal Oversight Services), introducing the report of the Office of Internal Oversight Services (OIOS) on the audit of the policies and procedures of the Department of Peacekeeping Operations for recruiting international civilian staff for field missions (A/56/202), said that the audit had been conducted at a time when peacekeeping operations, in all their aspects, were under comprehensive review. The main objectives of the OIOS review were to determine the efficiency and effectiveness of the policies and procedures of the Department of Peacekeeping Operations for recruiting mission staff and to suggest improvements to ensure that the staffing needs of field missions were better served.

64. The review had found shortcomings in the recruitment process as well as in the management of recruitment functions by the Department. The absence of benchmarks and reliable workload indicators affected the Department's ability to realistically assess its resource requirements. Job descriptions for mission posts had not yet been developed and the Department did not have a functional candidate roster. Furthermore, the selection process did not ensure that candidates were selected on a competitive basis and field missions were not fully involved in the process. The report advocated full delegation of recruitment authority to field missions, but emphasized the need for establishing recruitment standards, deploying qualified recruitment specialists in the affected missions and establishing effective monitoring mechanisms at Headquarters. All 16 of the OIOS recommendations had been accepted and the Department, working in close cooperation with the Office of Human Resources Management, had initiated action to implement them.

65. Introducing the report of OIOS on the audit of the establishment and management of mission subsistence allowance (MSA) rates (A/56/648), he said that the objective of the audit was to determine whether the MSA rates established for special peacekeeping missions were reasonable and justified. The audit had also reviewed the administration of MSA payments which constituted a significant portion of overall peacekeeping costs. For the financial period from 1 July 2000 to 30 June 2001, such payments had accounted for 17 per cent of the total expenditure budget of the 10 special peacekeeping missions reviewed by OIOS and obviously represented a high level of audit risk to OIOS and the United Nations.

66. The purpose of MSA was to reimburse United Nations staff members for subsistence costs during periods of mission service. The Secretary-General set the rates and conditions for MSA payments on each such assignment. In general, the MSA rate should reflect the subsistence costs, including food, lodging and incidental items, based on the conditions in each mission area. MSA rates should generally be lower than the daily subsistence allowance (DSA) rates established by the International Civil Service Commission (ICSC) for short-term travel to the same locations. MSA rates were subject to review on a regular basis in order to verify that the various elements taken into account in establishing the initial rates were still valid. In recent years, MSA had been paid to a wide variety of staff, including not only international civilian personnel but also military observers and civilian police personnel serving in special missions.

67. Incorporation into the MSA of a hardship component unrelated to subsistence was not proper, since compensation for hardship or hazard should be considered separately. OIOS had no objection to separate entitlements designed specifically to address the hardship and hazards of mission service, provided they were justified and were reviewed independently of MSA.

68. In seven of the missions reviewed, namely, the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), UNAMSIL, UNOMIG, UNMEE, UNMIK and UNIKOM, the MSA rates in effect were considered to be excessive or otherwise questionable. In one mission, UNMIBH, the rate appeared to be unduly low compared with the DSA rate in effect at the same duty station. In the two remaining missions, UNMOP and UNTAET, MSA rates appeared to be reasonable.

69. In view of the significant potential financial implications, OIOS had expressed the opinion that the Office of Human Resources Management needed to conduct an immediate review of the seven missions for which MSA rates were considered excessive or questionable to confirm whether any adjustments were

required. In response to the audit's findings and recommendations, the Office of Human Resources Management had reviewed the rates for UNMEE, UNOMIG, MINURSO, MONUC, UNAMSIL and UNIKOM and had decided to reduce them, resulting in projected savings of approximately $33.7 million per year. The Office of Human Resources Management had also decided that the MSA for UNMIBH warranted review and a decision on whether to revise the rate was being finalized. OIOS considered it appropriate that any reductions in MSA rates should be implemented in a phased manner to allow staff sufficient time to make adjustments to their living expenditure patterns.

70. Introducing the note by OIOS updating the status of its recommendations on mission liquidation activities at the United Nations (A/56/896), he said that the OIOS internal audit of mission liquidation activities at Headquarters had shown that, while a number of improvements had been made in the liquidation of peacekeeping missions, the planning and execution of residual tasks at Headquarters needed to be further improved and more closely monitored in order to speed up the liquidation process. Monitoring of liquidation activities by the Field Administration and Logistics Division of the Department of Peacekeeping Operations also needed to be strengthened.

71. OIOS had made 13 recommendations to the Department of Peacekeeping Operations and the Controller aimed at improving mission liquidation activities. The recommendations and their implementation status, as reported by the Department of Peacekeeping Operations and the Office of Programme Planning, Budget and Accounts, were summarized in the annex to the note by OIOS (A/56/896). As part of its ongoing audit of the Finance Management and Support Service of the Department of Peacekeeping Operations, OIOS had decided to undertake a follow-up review of mission liquidation activities, paying particular attention to write-offs. The results of that review would be reported to the General Assembly at its fifty-seventh session.

72. Turning, lastly, to the report of OIOS on the update of oversight activities concerning the oil-for-food programme and the United Nations Compensation Commission (A/56/903), he noted that the complex nature of its activities combined with the large amounts of funds involved and the wide range of United Nations responsibilities made the programme a high-risk undertaking that required special audit arrangements. It was therefore essential for OIOS to be provided with adequate resources and for appropriate arrangements to be put in place to ensure effective audit coverage of the funds for which the Organization was responsible.

73. The report set out the OIOS strategy for auditing the large number of activities being financed from the oil-for-food programme. Emphasis was placed on the audit of activities in northern Iraq, where the United Nations was itself implementing the oil-for-food activities. OIOS had conducted a number of audits of the United Nations Office of the Humanitarian Coordinator in Iraq and in particular its coordination and monitoring function in northern Iraq. It was also coordinating audit activities with the audit bodies of the nine other United Nations organizations involved in implementing the programme in northern Iraq. While that represented a major challenge, steps had been taken to strengthen cooperation in a number of areas, including plans to conduct horizontal and joint audits of the activities in northern Iraq.

74. While OIOS acknowledged the often difficult conditions under which the activities in Iraq were being implemented, there was a continuing need for the Office of the Humanitarian Coordinator in Iraq to focus on the coordination and monitoring of programme activities in northern Iraq. For its part, the United Nations Compensation Commission was responsible for the processing of a large number of claims resulting from Iraq's invasion of Kuwait. The high value and often complex nature of those claims entailed significant risks to the Organization and, while the Commission had built in a number of safeguards, there was nonetheless ample opportunity for mistakes and irregularities to occur. The Executive Secretary had agreed with OIOS on that issue and a second auditor post had been created to focus on high-risk claim areas.

75. **Mr. Repasch** (United States of America) said that the reports of OIOS were very informative and the recommendations they contained should be implemented as expeditiously as possible. He was concerned at the slow pace of implementation of the 13 recommendations of OIOS on mission liquidation activities and wondered whether there were any complicating factors. His delegation shared the views of OIOS on the standard for establishing and adjusting MSA rates. Other considerations should not be taken into account in the calculation of MSA. The Secretary-General should implement the recommendations of OIOS for improving the establishment and management of MSA

in peacekeeping missions, particularly since those allowances accounted for a high proportion of mission budgets. His delegation also urged the prompt implementation of the recommendations of OIOS aimed at strengthening the process of recruiting international civilian staff for field missions. In that connection, he wondered whether some of the issues raised in the report of OIOS were related to the high vacancy rate of 29 per cent at the United Nations Logistics Base at Brindisi.

76. With regard to the report of OIOS on the update of oversight activities concerning the oil-for-food programme (A/56/903), he would welcome further elaboration of the comments made by the Under-Secretary-General on the coordination of audit activities with the audit bodies of other United Nations organizations involved in the programme. As for the oversight activities of the United Nations Compensation Commission, he shared the view of OIOS that the high value and often complex nature of claims resulting from Iraq's invasion of Kuwait entailed significant risks to the Organization and asked whether the creation of a second auditor post to focus on high-risk claim areas had been approved.

77. **Mr. Nair** (Under-Secretary-General for Internal Oversight Services), replying to the questions raised, said that, while OIOS was always pleased to see improvements in the pace of mission liquidation activities, it recognized that mission liquidation was a lengthy process and would await the completion of an in-depth review before passing judgement. He welcomed the new sense of urgency with which the Department of Peacekeeping Operations was now approaching its mission liquidation activities.

78. The policies and procedures of the Department of Peacekeeping Operations for recruiting international civilian staff for field missions, which were still not as efficient as they should be, were now being monitored by the Office of Human Resources Management and OIOS hoped that the new initiatives that had been taken, such as the design of a roster (the "Galaxy project") that could receive applications online, screen them and automatically rank candidates in accordance with job requirements, together with implementation of the recommendations that it had made to the Field Administration and Logistics Division, would strengthen the recruitment process and reduce vacancy rates. OIOS would continue its review of the recruitment process and would address any outstanding issues upon completion of the review.

79. On the question of the coordination of audit activities with other audit bodies, OIOS had learnt many useful lessons from its initiative, which it planned to continue. He would give an update on the collaboration at a later stage. The second auditor post was the minimum needed to fulfil mandated tasks and he hoped that the recommendation would be approved.

The meeting rose at 12.20 p.m.